Digitized by the Internet Archive
in 2013

http://archive.org/details/memorandumtocomm19mont

S
350.003
E72r EQ
[redacted]

PLEASE RETURN

STATE DOCUMENTS COLLECTION

APR 25 1978

MONTANA STATE LIBRARY
930 E Lyndale Ave.
Helena, Montana 59601

MEMORANDUM

To: Commission on Executive Reorganization

From: Commission Staff

Subject: Report on the Board of Equalization

This report contains a summary of the organization and operations of the Board of Equalization. Also included is a preliminary staff recommendation concerning a proposed Department of Revenue.

Further background information relating to the proposed Department and the duties of the Board of Equalization will be discussed more comprehensively in a subsequent staff report.

Montana State Library
3 0864 1006 3912 2

Project No. Montana P-44. Prepared under Contract for the Montana State Department of Planning and Economic Development, and the Commission on the Reorganization of the Executive Branch of State Government, State of Montana. The preparation of this document was financed in part through the Urban Planning Grant from the Department of Housing and Urban Development, under the provisions of Section 701 of the Housing Act of 1954, as amended.

STATE BOARD OF EQUALIZATION*

Organization

The present State Board of Equalization was created by Article X11, Section 15 of the Montana Constitution, as amended in 1922. The Constitution prescribes the Board's prime duty as doing all things necessary to secure a fair, just, and equitable valuation of all taxable property among counties, between the different classes of property, and between individual taxpayers. To achieve this goal, the Constitution empowers the Board to adjust and equalize the value of taxable property, and to supervise and review the acts of county assessors and county boards of equalization (Mont. Const. Art. X11, Sec. 15). The Constitution specifically provides that the Board shall assess the franchise, roadway, roadbed, rails, and rolling stock of all inter-county railroads; and may impose a special levy upon livestock for stock protection and inspection purposes (Mont. Const. Art X11, Sections 9 and 16). Article X11 further provides that the Board " . . . shall also have such other powers, and perform such other duties relating to taxation as may be prescribed by law." (Mont. Const. Art. X11, Sec. 15.) Pursuant to the latter provision, the Legislature has given the Board authority and responsibility for the collection and administration of most state taxes (Title 84, R.C.M. 1947).

Stewardship of the Board of Equalization is vested in three members, appointed for six year staggered terms by the Governor with the advice and consent of the Senate. The Constitution provides that no more than two Board members may be affiliated with the same political party or organization, and that the members devote their entire time to the duties of the office (Mont. Const. Art X11, Sec. 15). The Board members elect the chairman and receive an annual salary which is specified by the Legislature. The annual salary of the chairman is currently $11,630. The other members each receive $11,130 per annum.

The activities of the Board of Equalization may be divided either administratively (according to organizational structure) or functionally (according to program). Administratively, the Board is divided into seven departments: property tax; legal; inheritance tax; cashier and

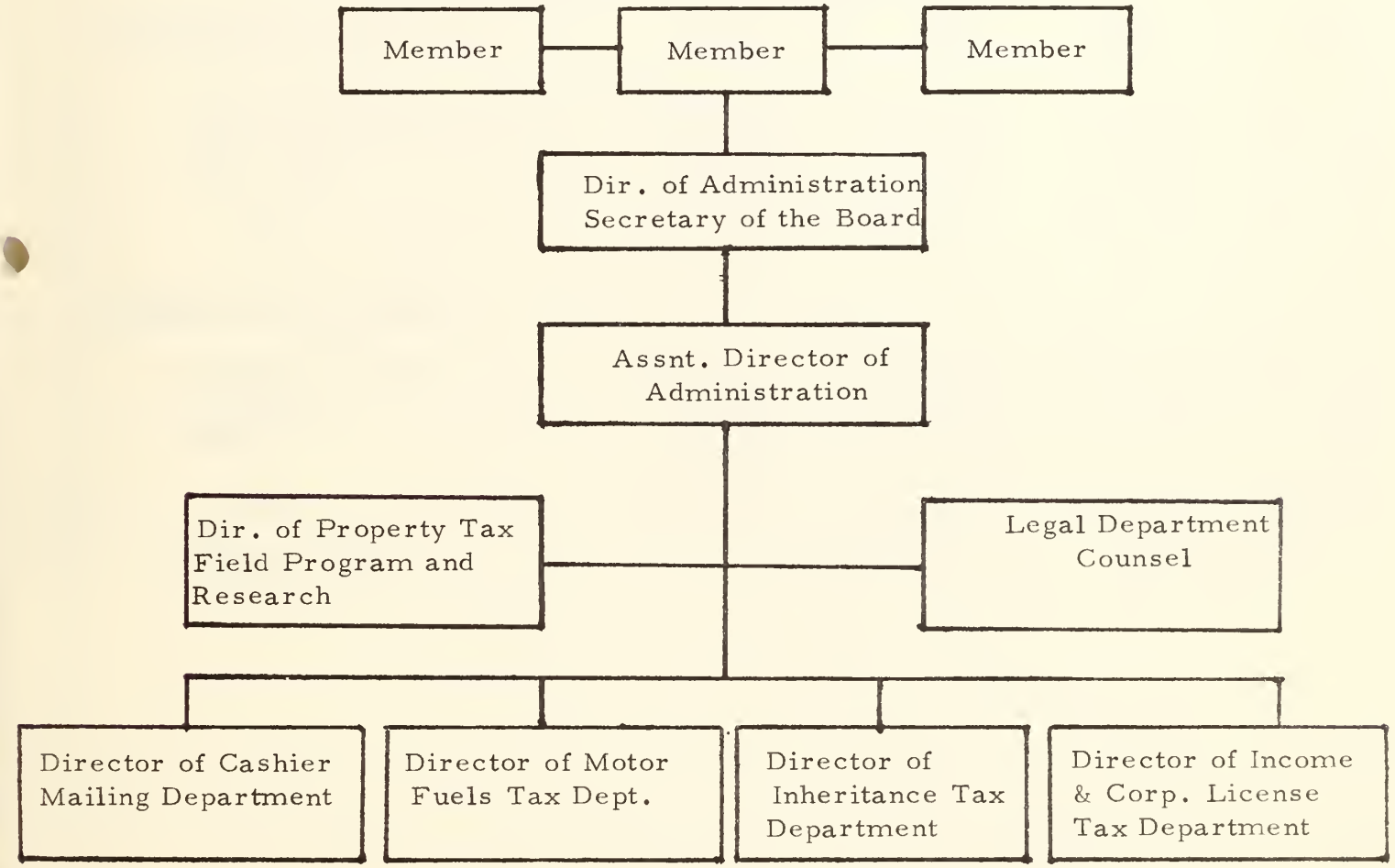
---

*Although the Montana Constitution (Mont. Const. Article X11, Section 15) provides that "The state board of equalization shall be composed of three members . . .", the Board has been expanded by legislative action into a department-like organization, employing 112 persons responsible for collection of the majority of the state's taxes. Therefore, with the exception of specific references to the duties of the three Board members themselves, all references in this report to the "Board" will mean the administrative organization under the direction of the Board.

mailing; administration; personal income and corporation license tax; and motor fuels tax. Functionally, the Board is divided into three programs: administration; personal income and corporation license tax; and motor fuels tax. The combination of the administrative and functional divisions is as follows: The program of administration encompasses the following five departments: property tax, legal, inheritance tax, cashier and mailing, and administration; the personal income and corporation license tax program is performed by the personal income and corporation license tax department; and the motor fuels tax program is administered by the motor fuels tax department.

The Board has submitted the following diagram to illustrate its internal organization.

ORGANIZATION CHART - BOARD OF EQUALIZATION



Funding and Personnel

Currently, an administrator, an assistant administrator, and 110 full-time staff members are employed to perform the duties of the Board of Equalization. The administrator and his assistant are charged with coordinating the Board's efforts and overseeing all phases of the operation.

Total expenditures of the Board for the biennium ending June 30, 1969 were $1,848,606. This compares with the Board's appropriation for the current biennium of $2,415,641 -- an increase of 32 per cent. The following schedule indicates Board expenditures for the four most recent fiscal years, by program and object.

Expenditures, Board of Equalization, 1966-69*

Expenditures by Program	1966	1967	1968	1969
Administration	$200,412	$207, 909	$223 ,875	$236,070
Corp. Lic. & Income Tax	358,344	384,467	506,769	564,513
Motor Fuel	144,492	164,217	152,786	165,192
Total	$703,248	$756,593	$882,830	$965,776
Expenditures by Object				
Personal Services	$551,174	$570,990	$636,797	$682,784
Operation	143,223	182,519	230,456	269,388
Capital	8,851	3,084	15,577	13,603
Total	$703,248	$756,593	$882,830	$965,776
Biennial Totals		$1,459,841	$1,848,606	

*The expenditure totals for 1966-67-68 were obtained from the Executive Budget. Expenditure totals for 1969 were obtained from the Board of Equalization.

The following schedule indicates appropriations to the Board for the biennium ending June 30, 1971.

Appropriations to Board of Equalization 1969-71 Biennium

General Fund:	Fiscal Year 1970	Fiscal Year 1971
a. Personal Services	$665,581	$698,308
b. Operation and Capital	104,334	87,753
c. Sales Ratio Study	40,000	40,000
d. Multistate Tax Compact	8,000	8,000
Earmarked Revenue Fund:		
a. Highway Account for Personal Services	139,764	146,768
b. Highway Account for Operation and Capital	52,239	52,120
c. State Equalization Aid Account for Operation	181,676	181,098
d. Aeronautics Commission Account for Operation	5,000	5,000

Total Appropriations 1969-71 Biennium	General Fund	Other Funds	Total
	$1,651,976	$763,665	$2,415,641

Total collections in fiscal year 1969 were $86,501,464. The single greatest revenue source administered by the Board was the individual income tax--with collections totaling $36,978,187. The following table indicates collections by the Board for fiscal years 1965 through 1969, by source. (See footnotes on following page.)

License Tax Collections--Fiscal Years 1965-1969

	1965	1966	1967	1968,	1969
[1]Gasoline Dealers - Distributors	$18,926,896	$19,916,242	$20,148,915	$22,729,853	$23,056,105
[2]Diesel Fuel and Liquid Petroleum Gas	3,365,990	3,599,074	3,955,503	3,803,163	4,180,742
Special Fuel Trip Permit	96,980	101,920	98,880	113,360	132,120
Coal Dealers & Miners	13,576	13,087	14,126	13,098	19,105
Cement Dealers & Manufacturers	102,995	94,634	123,745	89,556	110,310
Oil Prod. Lic. Tax	1,793,144	1,985,386	2,105,955	2,255,918	3,157,007
Vermiculite Lic. Tax	6,824	8,163	8,481	7,965	8,433
Chain Store License	189,082	188,863	192,351	199,985	199,415
Telephone Lic. Tax	423,073	448,910	470,589	505,338	572,791
Cigarette License	1,875	1,595	1,275	1,590	1,435
[3]Cigarette Tax	6,312,334	6.162,295	6,261,943	6,187,966	6,185,887
Freight Line Co. Tax	176,117	176,454	204,422	219,090	241,047
Metal Mines Lic. Tax	905,207	1,135,743	1,200,734	622,239	728,208
Contractors License	64,130	69,385	75,300	77,620	79,210
Electrical Energy Tax	509,760	470,050	451.800	426,729	512,751
Telegraph Lic.Tax	637	551	535	396	497
Natural Gas Tax	228,186	298,780	296,855	280,625	347,054
[4]Sleeping Car Co. Tax	9,772	11,308	11,205	9,574	8,592
Express Co. Tax	3,843	3,706	--	3,435	3,007
[5]Corp. License Tax	5,871,235	6,957,701	7,607,809	7,328,704	8,155,001
[6]Individual Income Tax	16,656,424	21,111,255	24,224,261	29,573,652	36,978,187
[7]Inheritance Tax	2,498,279	2,795,281	2,801,693	2,875,722	538,415
[8]Gas Tax Refund Permit	3,682	2,233	2,132	3,440	7,914
Aviation Gas Permit	775	780	825	800	775
[9]Gas Dealers Permit	893	839	840	827	838
[10]Govt. Exemption Permit	35	45	50	430	1,215
Certificate of Number (Boats)	15,432	11,229	10,833	15,996	8,450
[11]Tobacco Prod. Tax	--	--	--	--	--
[12]Contractors Gross Receipts Tax	--	--	1,503	752,297	1,266,051
[13]Payments in Lieu of Taxes	--	--	--	--	902
Totals	$ 58,257,176	$ 65,565,509	$ 70,272,560	$ 78,087,765	$ 86,501,464

Collection totals for fiscal years 1965-68 were obtained from the Board's 23rd biennial report. Collection totals for fiscal year 1969 were obtained from Board cashier reports.

[1]Gasoline refunds for fiscal 1969 were $2,268,583.
[2]Special fuel refunds for fiscal 1969 were $39,778.
[3]Cigarette tax refunds for fiscal year 1969 were $22,883.
[4]Actually, the 1968 revenue was collected in 1969 and credited to 1968.
[5]Corporation license tax refunds for 1969 were $85,077.
[6]Income tax refunds for 1969 were $5,754,995.
[7]Net revenue deposited to the State Treasurer in 1969 was $3,944,281. The majority of this revenue was actually collected by Montana District Courts and submitted directly to the State Treasurer.
[8]Gasoline refund permit refunds for 1969 were $142.
[9]Gasoline dealer permit refunds for 1969 were $6.00
[10]Government exemption permit (Section 84-1803, R.C.M. 1947) was repealed by Laws of Montana 1969, Ch. 369, § 20, at 1095.
[11]The tax became effective in July of 1969. Revenue for August-November of 1969 was $91,535.
[12]The tax became effective in 1967. Collections for 1967 and 1968 were $1,503 and $752,297 respectively, but were not indicated on Board's biennial report.
[13]Collections for 1965-1969 averaged $900 yearly; not reflected in totals for 1965-1968.

Description of Programs

As mentioned previously, the Board's operations are conducted through three programs: administration; personal income and corporation license tax; and motor fuels tax. The following sections of this report are devoted to general descriptions of these programs.

ADMINISTRATION

General

The administrative program is financed by general fund appropriations and includes all activities and departments of the Board except those involved in collecting the personal income and corporation license tax, and motor fuels tax. The Board employs 37 persons to discharge its administrative duties. Administrative expenditures for fiscal year 1969 were $236,070. The major activities included in the administrative program are:

1. Supervision and administration of all Board activities and departments. The three Board members and the administrator and his assistant are responsible for the general direction and regulation of all Department activities. The present Board members estimate that these supervisory responsibilities consume ten per cent (10%) of their time.

2. Adjusting and equalizing the valuation of taxable property; supervising and reviewing acts of county assessors and county boards of equalization; and doing all things necessary to secure a fair, just and equitable valuation of all taxable property as prescribed by Article X11, Section 15 of the Montana Constitution. The Board is also charged with the duty of administering the Classification and Appraisal act (Sections 84-429.7 through 84-429.13, R.C.M. 1947), which involves providing a general and uniform method of classifying lands; appraising city and town lots, rural and urban improvements, and timberlands; and general supervision of county taxing officers. The Board members, the administrator, and the employees of the property tax division are primarily responsible for performing these duties. The Board members estimate that seventy-five per cent (75%) of their total effort is directed to performing duties relating to property taxation, equalization, and supervision of county officers.

3. Fixing a rate of taxation for each fiscal year, upon each one hundred dollars of taxable property of the state, which will raise a sufficient amount to meet the levy of the Legislative Assembly for each fiscal year (Section 84-3803, R.C.M. 1947).

4. Imposing special levies upon livestock and lands subject to destruction by hail (Mont. Const. Art. X11, Sec. 9; Sections 84-5210 and 82-1506, R.C.M. 1947).

5. Transmittal to the Governor and each member of the Legislative Assembly, reports indicating all the taxable property of the state and the value thereof. This duty is performed by the administrator and his personal secretary. It involves an actual audit of the assessors' records in all Montana counties and consumes a great deal of the administrator's time (Section 84-708, R.C.M. 1947).

6. Collection of information and prosecution of actions for collection of taxes (Section 84-708, R.C.M. 1947). The Board's legal department annually files five to ten formal complaints in an attempt to collect delinquent taxes, and defends any actions which are brought against the Board.

7. Hearing appeals, formal and informal, from State Board decisions and actions of county boards of equalization (Sections 84-403, 84-429.11, 84-709, and 84-710, R.C.M. 1947). The Board members

estimate that they annually hold an average of 39 informal hearings and 3 formal hearings involving inter-county property assessments; 18 formal income, corporation license tax and inheritance tax hearings; 5 property classification and assessment change hearings; 6 motor fuel tax hearings; and 14 to 32 hearings involving appeals from actions of county boards of equalization. The Board members estimate that these activities (reading transcripts, issuing orders, and considering appeals) consume fifteen per cent (15%) of their time.

8. Assessment of the inter-county property of utilities, and the initial determination of net proceeds valuations. The Montana Constitution and statutes direct the Board to assess the inter-county property of railroads, utilities, airlines, and truck fleets and to apportion the values to local governments on a mileage basis. In addition to these Constitutional and statutory assessments, the Board has undertaken the task of assessing all state and federal banks and savings and loan associations in Montana, and transmitting the assessed valuations to county assessors. In 1969, the Board assessed the inter-county property of 7 railroad companies, 4 power companies, 5 telephone companies, 1 telegraph company, 11 pipeline companies, 4 airline companies, 23 R.E.A.'s, and 8 R.T.A.'s.

The Board is also responsible for valuing the net mineral and petroleum products proceeds recovered in Montana (Sections 84-5401 and 84-6201, R.C.M. 1947). The administrator and one employee check producers' reports and certify net proceeds valuations to local county assessors for collection of property taxes.

9. Administration and collection of 24 separate taxes. Although the Board members are statutorily responsible for collection of these taxes, the actual supervision and collection is performed by the administrator, his assistant, and a select number of employees.

The following schedule indicates the number of staff members employed in collecting and administering these taxes.

One full-time employee, with the supervision of the administrator, is responsible for collection and administration of the following taxes: cement dealers; cement and gypsum producers; strip coal mines; coal retailers; electrical energy producers; express companies; natural gas distributors; oil producers; telegraph; telephone; public contractors' license; micaceous mineral mines; carbon black producers; and payments in lieu of taxes.

One employee, with the supervision of the administrator, collects the license tax imposed on metalliferous mines. This

employee also spends a great deal of time valuing the net proceeds of mines and wells (Sections 84-5401 and 84-6201, R.C.M. 1947), renewing public contractors' licenses, and gathering data for the Board's biennial reports.

The administrator's personal secretary, in addition to other duties, is responsible for collection of revenues from license taxes imposed upon sleeping car and freight line companies.

One full-time staff member, with the supervision of the administrator, is responsible for the issuance of boating identification numbers and certificates.

A field investigator and a clerk-typist, with the supervision of the assistant administrator, are responsible for collection and administration of store license taxes.

A field investigator and a clerk-typist, with the supervision of the assistant administrator, are responsible for collection and administration of the public contractors' gross receipts taxes.

Two field investigators and a clerk-typist, with the supervision of the assistant administrator, are responsible for administration and collection of tobacco and cigarette taxes.

A department director and four employees are responsible for administering estate and inheritance taxes.

In fiscal year 1969, payments collected by the Board in administering the 24 taxes totaled $14,015,567. (Refunds and credits are included in this figure.)

Following is a description of the Board's role and procedures utilized in administering and collecting the 24 taxes.

1. Cement Dealers (Section 84-1101, R.C.M. 1947). Every person who engages in the business of retailing cement, cement plaster, gypsum plaster or other byproducts of cement must file a certificate and statement with the Board. Quarterly, the taxpayer must file a statement with the Board declaring the total number of barrels or tons of cement or cement byproducts sold and include the license tax payment for the quarter. If no statement is filed or tax paid, the Board fixes the tax and determines the penalty. Presently, three dealers are licensed and a total of 12 reports are filed annually.

The current tax rate is one dollar ($1.00) plus four cents (4¢) per barrel and twenty cents (20¢) per ton. Revenue collected in fiscal year 1969 was $110,310. Revenue collected is deposited in the general fund.

2. Cement and Gypsum Producers (Section 84-1201, R.C.M. 1947). Every person engaged in the business of producing or manufacturing cement, gypsum, gypsum plaster, stucco, wallboard, land plaster, or other products of cement or gypsum in the state, or importing the aforementioned products, must file a certificate and statement with the Board. Quarterly, the taxpayer must file a statement with the Board declaring the total number of barrels or tons of the product manufactured or imported and include the license tax payment for the quarter. If no statement is filed or tax paid, the Board fixes the tax and determines the penalty. Presently, 32 producers are licensed, and a total of 128 reports are filed annually. The current tax rate is four cents (4¢) per barrel of cement and five cents (5¢) per ton of gypsum. Revenue collected in fiscal year 1969 is included in the revenue figure mentioned in connection with the cement dealers' tax. Revenue collected is deposited to the credit of the general fund.

3. Strip Coal Mines (Section 84-1301, R.C.M. 1947). Every person engaged in the business of strip coal mining in the state must file a certificate and statement with the Board. Quarterly, the taxpayer must file a statement with the Board declaring the total number of tons of coal mined and include the license tax payment for the quarter. If no statement is filed or tax paid, the Board fixes the tax and determines the penalty. Presently, 2 companies are licensed and a total of 4 reports are filed annually. The current tax rate is five cents (5¢) per ton on production over 50,000 tons annually, less one half ($\frac{1}{2}$) of the value of reclamation work performed. Revenue collected in fiscal year 1969 was $19,105. Revenue collected is deposited to the credit of the general fund.

4. Coal Retailers (Section 84-1401, R.C.M. 1947). Every person engaged in the business of retailing coal in Montana must file a certificate and statement with the Board. Quarterly, the taxpayer must file a statement with the Board declaring the total number of tons of coal sold and include the license tax payment for the quarter. If no statement is filed or tax paid, the Board fixes the tax and determines the penalty. Presently, 8 coal retailers are licensed and a total of 32 reports are filed annually. The current tax rate is $1.00 (one dollar) plus five cents (5¢) per ton. Revenue collected in fiscal year 1969 is included in the revenue figures mentioned in connection with the coal mining tax. All revenue collected is deposited to the credit of the general fund.

5. Electrical Energy Producers (Section 84-1601, R.C.M. 1947). Every person engaged in the business of producing or generating electrical energy in the state must file an acknowledged and verified certificate with the Board. Monthly, the taxpayer must file a statement with the Board indicating the gross amount of revenue received from sales of electricity during the preceding calendar month and include the license tax payment for the month. Presently, six producers are licensed and a total of 72 reports are filed annually. The current tax rate is one and one quarter per cent ($1\frac{1}{4}\%$) of the gross amount of revenue received from sales of electricity during the preceding calendar month. Revenue collected in fiscal year 1969 was $512,751. The revenue collected is credited to the general fund.

6. Express Companies (Section 84-1701, R.C.M. 1947). Every person engaged in the business of conveying articles by express freight must annually file a statement with the Board. The statement must include the gross receipts (including all sums entered or charged whether actually collected or not) for business done by such company within the state. The Board annually determines the actual gross receipts, enters the amount in a special record, and collects the tax from the company. If the statement is not filed, the Board can determine gross receipts. Presently, one company is licensed and one statement is filed annually. The current tax rate is four per cent (4%) of gross earnings in the state. Revenue collected in fiscal year 1969 was $3,007. All revenues collected are credited to the general fund.

7. Natural Gas Distributors (Section 84-2101, R.C.M. 1947). Every person engaged in the business of distributing natural gas to customers in the state must file a certificate and statement with the Board. Quarterly, the taxpayer must file a statement indicating the quantity of merchantable gas distributed in the state. The Board examines the statement and computes the taxes. The taxpayer must include payment of the tax with his statement. If no statement is filed or tax paid, the Board fixes the tax and determines the penalty. Presently, six distributors are licensed and 24 statements are filed annually. The current tax rate is five hundred seventy-five thousandths (.575) of one cent (1¢) per thousand cubic feet distributed in the state. Revenue collected in fiscal year 1969 was $347,054. (Partially computed on prior tax rate of one half ($\frac{1}{2}$) of one cent (1¢) per thousand cubic feet distributed in the state.) All revenues collected are distributed to the credit of the general fund.

8. Oil Producers (Section 84-2201, R.C.M. 1947). Every person engaged in the business of producing petroleum or other mineral or crude oil in the state must file a certificate and statement with the Board. Quarterly, the taxpayer must file a statement indicating the total number of barrels of merchantable or marketable petroleum produced in Montana during the preceding

quarter and include the license tax payment for the quarter. If no statement is filed or tax paid, the Board fixes the tax and determines the penalty and interest. Presently, 263 producers are licensed and 1052 statements are filed annually. The current tax rate is two and one tenth per cent (2.1%) of gross value of the first 450 barrels. Revenue collected in fiscal year 1969 was $3,157,007. All revenues collected are deposited to the credit of the general fund.

9. Telegraph License Tax (Section 84-2501, R.C.M. 1947). Every person engaged in the business of transmitting telegraph messages in the state (intrastate) must quarterly file a statement with the Board indicating the total gross income derived from transmission of telegraph messages originating and terminating within the state. The license tax payment must accompany the quarterly statement. The Board will determine the tax if no statement is filed, and assess a penalty and interest. Presently, one company is licensed and four statements are filed annually. The current tax rate is two per cent (2%) of the gross income from intrastate business. Revenue collected in fiscal year 1969 was $497. All revenue collected is deposited to the credit of the general fund.

10. Telephone License Tax (Section 84-2601, R.C.M. 1947). Every person engaged in the telephone business in the state must file a quarterly statement with the Board indicating the total gross income derived from the transmission of telephone messages originating and terminating within the state. The license tax payment for the preceding quarter must accompany the statement. The Board may levy the tax upon failure of the taxpayer to file the statement. Presently, 13 companies are licensed and 52 statements are filed annually. The current tax rate is one and seven hundred twenty-five thousandths per cent (1.725%) of the gross income derived from intrastate telephone transmissions. Revenue collected in fiscal year 1969 was $572,791. All revenue collected is distributed to the credit of the general fund.

11. Public Contractors' License (Section 84-3501, R.C.M. 1947). Every public contractor (any person who submits a proposal to or enters into a contract in excess of $1,000 for performing any public construction work in the state) must submit a license application to the Board. The application must contain a statement of the applicant's contracting experience and qualifications. The Board determines the applicant's fitness to act as a public contractor, and if the Board determines that the person is qualified, it issues an annual public contractor's license. The Board also issues renewal licenses. Presently, 1,169 statements are filed annually. If a complaint is filed against a public contractor, the Board is charged with the duty of investigation and, for reasonable cause, may suspend the contractor's license. The current license tax rates are: Class A - $200.00; Class B - $100.00; Class C - $10.00. Revenue collected in fiscal year 1969 was

$79,210. All revenue collected is deposited to the credit of the general fund.

12. Micaceous Mineral Mines License Tax (Section 84-5901, R.C.M. 1947). Every person engaged in mining micaceous minerals in Montana must file a certificate and statement with the Board. Quarterly, the taxpayer must file a statement with the Board indicating the total number of tons of micaceous minerals mined or produced during the preceding quarter. A license tax payment must accompany the quarterly statement. If no statement is filed or tax paid, the Board fixes the tax and determines the penalty. Presently, one company is licensed and four statements are filed annually. The current tax rate is five cents (5¢) per ton of micaceous mineral concentrate. Revenue collected in fiscal year 1969 was $8,433. All revenue collected is deposited to the credit of the general fund.

13. Carbon Black Producers' License Tax (Section 84-1001, R.C.M. 1947). Every person engaged in the business of producing carbon black in the state must file a certificate and statement with the Board. Semiannually, the taxpayer must file a statement with the Board declaring the total amount of carbon black produced and include the license tax payment for the period. The Board will compute the tax if no statement is filed and assess the interest and penalty. The current tax rate is one eighth (1/8) of one cent (1¢) per pound of carbon black produced or manufactured in the state. No revenue was collected in fiscal year 1969, and the administrator has stated that no revenue has been collected for a number of years. If revenue is collected, it is to be deposited in the general fund.

14. Payments in Lieu of Taxes (Section 84-5501, R.C.M. 1947). The Board is authorized to make requests to the United States on behalf of the state, for payments in lieu of property taxes. Presently, the United States is making payments as a substitute for taxes for federal housing projects located in Anaconda and Great Falls. Revenue collected in fiscal year 1969 was $902. All revenue collected is distributed in the same manner as the state mill levies.

15. Sleeping Car Company License Tax (Section 84-2301, R.C.M. 1947). Any person (not being a railroad company or a lessee of a railroad company) operating any cars known as dining, buffet, chair, parlor, palace, or sleeping cars upon railroads in the state must file an annual statement with the Board. The Board shall then fix the valuation of the property of the sleeping car company. The Board must present the company with a notice of hearing and levy a license tax upon the company. Presently, one statement is filed annually. The current rate of tax is one and one half per cent ($1\frac{1}{2}\%$) of the actual value of the property. Revenue collected in fiscal year 1969 was $8,592. All revenue collected is deposited to the credit of the general fund.

16. Freight Line Companies' Tax (Section 84-4818, R.C.M. 1947). Every person who engages in the business of operating a freight line company in the state is liable for a tax in the amount of five and one half per cent ($5\frac{1}{2}\%$) of total gross earnings. Railroad companies leasing the freight line cars must annually file a statement with the Board indicating payments to freight line companies and must also submit the five and one half per cent ($5\frac{1}{2}\%$) withheld from the freight line payments. If no report is filed, the Board may estimate the gross earnings of the freight line company and assess the tax and penalties. Presently, 343 statements are filed annually. Revenue collected in fiscal year 1969 was $241,047. All revenue collected is deposited to the credit of the general fund.

17. Metalliferous Mines License Tax (Section 84-2001, R.C.M. 1947). Every person engaged in the business of operating a mine in the state from which metals are extracted must annually file a statement with the Board indicating the gross value of the product mined. The Board examines the statement and determines the license tax. After the tax has been paid, the Board issues the license. If no statement is filed, the Board may determine the gross value and assess the license tax and penalties. Presently, seven statements are filed annually. The current tax rates are: First $100,000 gross value taxable at rate of (0.15 of 1%); next $150,000 taxable at rate of (0.575 of 1%); next $150,000 taxable at rate of (o.86 of 1%); next $100,000 taxable at rate of (1.15%); all over $500,000 taxable at rate of (1.438%). Revenue collected in fiscal year 1969 was $728,208. All revenue collected is deposited to the credit of the general fund.

18. Identification Number (boats) (Section 69-3504, R.C.M. 1947). Every owner of a motor boat requiring registration under Montana law must annually file with the Board an application for number and a certificate showing that current personal property taxes on the boat have been paid. The Board records the application and issues a certificate of number to the boat owner. The Board must notify the boat owner of the pending expiration of annual registration within a reasonable time prior to expiration. Presently, 12,914 registrations are processed annually. The current registration fee is $1.00 annually. Revenue collected in fiscal year 1969 was $8,450. All revenue collected is deposited to the credit of the general fund.

19. Store License Tax (Section 84-2401, R.C.M. 1947). Every person desiring to operate a store must apply to the Board for issuance of a store license. If an applicant desires to open more than one store, he must make separate applications for licenses to operate each store. After the Board has issued the licenses, the taxpayer must annually apply for renewal licenses. Presently, 11,865 applications are

processed annually. The current tax rate varies from $6.00 to $201, depending upon the number and type of stores owned. Revenue collected in fiscal year 1969 was $199,415. All revenue collected is deposited to the credit of the general fund.

20. Public Contractors' Gross Receipts Tax (Section 84-3501, R.C.M. 1947). The state, county, city or any public agency or department for whom a contractor is performing public work must withhold one per cent (1%) of all payments due the contractor and transmit such moneys to the Board. The Board transmits forms to the public contracting agency and contractor (the prime contractor is responsible for withholding the one per cent (1%) from his sub-contractors) providing for remittance of the necessary amount. The Board also credits the amounts paid in gross receipts tax to the contractor's corporation license tax or the contractor's income tax and credits the personal property taxes paid by the contractor against the gross receipts tax. Presently, 4,589 accounts are processed annually. Revenue collected in fiscal year 1969 was $1,266,051. All revenue is credited to the general fund after credit is given for income and corporate license tax, and refunds are granted for personal property taxes which have been paid.

21. Cigarette Wholesaler and Retailer Licenses (Section 84-5603.3, R.C.M. 1947). Every wholesaler and retailer must apply to the Board for issuance of a license prior to engaging in the business of cigarette wholesaling or retailing. A separate application and license is required for each place of business operated by such wholesaler or retailer in Montana. The application must be accompanied by the required license fee. The licenses are to be renewed annually upon payment to the Board of the annual license fee. Presently, 3,000 applications are processed annually. The current license fee is $50 annually for distributors and $5 annually for retailers. Revenue collected in fiscal year 1969 was $1,435 based on prior license fee of $5.00 per retail license and $15.00 per wholesale license. The license fees are deposited monthly in the Board's Cigarette Enforcement Account in the Earmarked Revenue Fund. The Board is appropriated sufficient funds to administer the provisions of the cigarette act from the aforementioned fund, and on or before June 30, 1971, the Board must pay to the credit of the general fund all funds in excess of $7,500 in the Cigarette Enforcement Account not needed for the administration of the act.

22. Cigarette Tax (Section 84-5606, R.C.M. 1947). Every package of cigarettes imported, sold, or delivered in the state must have an insignia (tax stamp) imprinted thereon. The Board authorizes wholesalers or retailers to use a tax stamp meter for the purpose of imprinting the insignia. The county treasurer, of the county in which the meter is to be used, is responsible for setting the meter and collecting the amount of money proper for such setting; less the expense

defrayment of eight per cent (8%) provided in Section 84-5606.12, R.C.M. 1947. The county treasurer collects the tax in advance unless the Board allows the purchaser credit (Section 84-5606.15, R.C.M. 1947). If the cigarette tax is not paid, the Board can determine the tax and penalty. Presently, the Board administers 1,248 accounts. To aid the Board in administering the act, the Legislature has provided that common carriers must report shipments of cigarettes to the Board, and has given the Board's agents the powers of peace officers. The current tax rate is eight cents (8¢) per package of cigarettes. Revenue collected in fiscal year 1969 was $6,185,887. Revenues collected are distributed in the following manner: Five cents (5¢) per package less the expense of collecting the cigarette tax is to be deposited to the general fund; two cents (2¢) per package is to be credited to the sub-fund in the sinking fund for the purpose of paying bonds or interest thereon, issued for the paying an honorarium, or adjusted compensation to Montana veterans; one cent (1¢) per package is to be credited to a sub-fund in the sinking fund for the purpose of paying the bonds or interest authorized by Initiative No. 54. After all of the outstanding War Veterans' Compensation Bonds and World War I Compensation Bonds have been paid or redeemed, or after the necessary funds have been set aside for their payment or redemption, the balance of the proceeds collected will be transferred to the sinking fund account for payment of long-range building program bonds. (The balance of the proceeds from the three cent (3¢) tax for veterans was transferred to the long-range building program sinking fund account on October 27, 1967.)

23. Tobacco Tax (Cigarettes excluded) Section 84-6801, R.C.M. 1947). Every tobacco products wholesaler must pre-collect and pay the tax levied on tobacco products to the Board. The current tax rate is twelve and one-half per cent ($12\frac{1}{2}\%$) of the wholesaler's purchase price. Presently, 624 reports are submitted annually. This tax became effective after fiscal year 1969. Revenue collected from August through December of 1969 was $91,535. All revenue collected is to be credited to the Long-Range Building Sinking Fund.

24. Inheritance and Estate Taxes (Sections 91-4401 and 91-4411, R.C.M. 1947). The Montana Inheritance Tax is a levy imposed upon any transfer of a decedent's property or interest therein within the state to any person, association, or corporation except certain governmental units and certain charitable, religious, or educational associations and corporations. In most cases, the Board acts as an auditor for the Court, and the District Court and county officers having jurisdiction over the estate actually collect the taxes and remit the amounts collected to the State Treasurer. Approximately 5,000 estate accounts are processed by the Board annually. The tax is imposed on the clear market value of the transferred property, at the rates, and subject to the deductions indicated in the following table:

Inheritance and Estate Taxes--Exemptions and Rates

Relationship of Beneficiary	Exemption*	First $25,000	Next $25,000	Next $50,000	Rate on Balance
Widow or Widower	$20,000 (1)	2%	4%	6%	8%
Minor Children	5,000 (1)	2%	4%	6%	8%
Children who have attained majority	2,000 (1)	2%	4%	6%	8%
Brother, Sister, Son's Wife, Daughter's Husband	500	4%	8%	12%	16%
Uncle, Aunt, or First Cousin	0	6%	12%	18%	24%
Any other person or non-exempt Corp.	0	8%	16%	24%	32%

In addition to the inheritance tax, an estate tax is imposed if the credit allowed under the Federal Estate Tax exceeds the amount collected by the state under the provisions of the Montana Inheritance Tax (Section 91-4401, R.C.M. 1947). Revenue actually collected by the Board in fiscal year 1969 was $538,415. All revenues collected are deposited to the credit of the general fund.

Property Tax Duties

Although the three Board members are responsible for all Board activities, they devote their greatest effort to two primary functions: supervision of property taxation; and review and equalization of assessments. To fully comprehend these primary functions, a brief discussion of Montana property tax law is necessary. Property taxes are "taxes conditioned on ownership of property and measured by its value." In Montana, both real and personal property (except property exempt under Section 84-202, R.C.M. 1947) are subject to taxation. The taxing process is completed in four stages, as follows:

---

*(1) These exemptions were revised by an amendment to Section 91-4414, R.C.M. 1947, in 1969.

--(1) determining appraised value--the appraised value is the full cash value. (Actually, according to the director of the property tax program, the appraised value is 95% of full cash value. The 95% figure is used because appraising is not an exact science and there is a margin of error. For these reasons, the Board has determined that it is preferable to slightly undervalue property rather than overvalue it.) In determining full cash value, the Board and county appraisers utilize many printed valuation schedules, and the Board has adopted a uniform method of "classifying" (according to productivity and other factors) real property and timberlands.

--(2) determining assessed value--after the property is appraised, the value is reduced by a percentage which is set by Board regulation to determine assessed value. The assessed value of urban real property is 40% of market value.

--(3) determining taxable value--the percentages specified by the classification law (Section 84-302, R.C.M. 1947) are applied to the assessed value to determine taxable value.

--(4) determining tax due--local and state mill levies are applied to taxable value to compute the actual tax due.

County boards of equalization, assessors, and appraisers are directly responsible for completing this taxing process in all cases except assessment of inter-county property and net proceeds valuations of mines and wells.

The Board's duty is to adjust and equalize the value of taxable property; supervise and review acts of county assessors and county boards of equalization; and do all other things necessary to secure a fair, just, and equitable valuation of all taxable property as prescribed by Article XII, Section 15 of the Montana Constitution. The Legislature has supplemented this Constitutional mandate by enacting legislation specifically requiring the Board to perform the following duties:

a. Providing for a general and uniform method of classifying lands; appraising city and town lots, rural and urban improvements, and timberlands. This duty is included in the Classification and Appraisal act (Sections 84-429.7 through 84-429.13 R.C.M. 1947) to attain uniform classification and appraisal throughout Montana. The classification and appraisal was to be completed by 1962 but the

Board has taken the position that the duties imposed under the act are continuous and must be renewed yearly.

b. Prescribing rules and regulations, not in conflict with the Constitution and laws of the state, to govern county boards of equalization and assessors in the performance of their duties (Section 84-708, R.C.M. 1947);

c. Prescribing the form of assessment blanks, books, rolls, and other assessment records (Section 84-405, R.C.M. 1947);

d. Inspecting statements prepared from county assessment rolls indicating (1) total value of all property; (2) value of real estate; (3) value of improvements; (4) value of personal property; (5) amount of money; (6) number of acres of land, and number of mining claims; and (7) amount of delinquent taxes (Section 84-4003, R.C.M. 1947);

e. Establishing schools and meetings for county assessors and appraisers (Section 84-708, R.C.M. 1947).

The Board members have established a property tax field program employing a director and eight staff members to assist in the supervision of property taxation and equalization of assessments. The program's main objective is to achieve uniform appraisal and assessment throughout Montana. To accomplish this goal, one employee appraises rural lands and instructs county officials in proper procedures for uniform "classification." The chief appraiser and five field men appraise property, instruct and supervise county appraisers and assessors, and gather data for the Board and other state officials. Also, all employees are involved in a sales ratio study which has the goal of determining the variance between actual market value of property and assessed value in all Montana counties.

Personal Income and Corporation License Tax

General

The Board is charged with assessment and collection of taxes from all persons and corporations producing income within the state. This program is financed by the State Equalization Aid Earmarked Revenue Account--a public school financing account--(twenty five per cent) and the general fund (seventy five per cent). The Board employs 56 full-time staff members and a number of part-time employees to administer the program. Program expenditures for fiscal year 1969 were $564,513.

Corporation License Tax . Article XII, Section 1 of the Montana Constitution provides that the Legislative Assembly may impose a license tax upon corporations doing business in Montana and, the Legislature has established the tax and charged the Board with the duty of administering it (Title 84, Chapter 15, R.C.M. 1947).

The corporation license tax is a fee for carrying on business in Montana, and unless a corporation can qualify as a small business corporation (Section 84-1501.1, R.C.M. 1947) or a tax exempt corporation (Section 84-1501, R.C.M. 1947) it must pay the corporation license tax. The tax is collected annually on either a calendar year or fiscal year as the individual taxpayer desires (Section 84-1504, R.C.M. 1947). The minimum fee is $50 and the tax rate is six and one-fourth per cent ($6\frac{1}{4}\%$) of the total net income received by the corporation in the preceding year from all sources within the state (Section 84-1501, R.C.M. 1947). This rate will be reduced to five and one-fourth per cent ($5\frac{1}{4}\%$) for taxable years ending on or after February 28, 1971. The Board can estimate the tax due if a corporation fails to make a return (Section 84-1517, R.C.M. 1947), or can determine that the amount of tax due is greater than the amount disclosed by the taxpayer's return (Section 84-1508.1, R.C.M. 1947). If the tax is not paid within sixty (60) days after it becomes due, the Board may issue a warrant to the sheriff of any county of the state, commanding him to levy upon and sell the real and personal property of the corporation (Section 84-1505, R.C.M. 1947).

The corporation license tax department is administered by the director, two auditors, and one stenographer. Each corporation return and payment is personally audited and recorded in Helena. No field auditors are employed in the corporation license tax department.

In 1969, 7,850 corporations paid corporation license taxes and 1,709 corporations were treated as small business corporations and the individual shareholders taxed (standard income tax rates) on their distributive share of the corporation's income. Corporation license tax receipts for fiscal year 1969 were $8,155,001. Revenue collected is distributed in the following manner: eleven per cent (11%) to the Sinking Fund for retirement of State Bonded Indebtedness; twenty five per cent (25%) to the School Foundation Program; and sixty-four per cent (64%) to the general fund (Sections 84-1901, 79-2203, and 75-3613, R.C.M. 1947).

Personal Income Tax. Authority for personal income taxation is found in Article XII, Section Ia of the Montana Constitution and Title 84, Chapter 49, R.C.M. 1947. Progressive tax rates are enumerated in Section 84-4902, R.C.M. 1947, and every resident or non-resident earning a gross income in Montana in excess of $600 for the taxable year must file a return and pay the tax due to the Board (Section 84-4914, R.C.M. 1947). In conjunction with the income tax, Montana law provides for withholding income tax from residents and non-residents (Sections 84-4943 and 84.4903.1, R.C.M. 1947) and the

Board is also charged with administration and collection of these amounts.

The income tax department is organized in the following manner:

Audit Division--the division is responsible for investigation of approximately 280,000 individual income tax returns annually. Each return is scanned by a junior auditor for obvious errors, omissions, and mathematical miscalculations. The return is then programmed for the data processing computer and verified by computer action. If the return does not pass either the junior auditor or computer test, it is referred to a senior auditor for extensive audit. Presently, this division employs 7 senior auditors and 6 junior auditors.

Refund and Estimated Tax Division--refunding amounts collected in excess of taxes due consumes the greatest percentage of the division's time. In fiscal year 1969, $5,754,995 was refunded to Montana taxpayers. The division's other duty is administration of approximately 5,000 accounts on which a declaration of estimated tax is required (Section 84-4939, R.C.M. 1947). This division employs one auditor and six clerks.

General Office--the general office staff receives all income tax returns and has the duty of distributing them to the appropriate divisions. This division also completes all general departmental correspondence and issues final notices on delinquent taxes. One auditor and five clerks are employed in this division.

Withholding Tax Division--the division administers approximately 18,500 employer's quarterly withholding statements, payments, and annual reports. One supervisor and two clerks are employed in the division.

Collection Division--after the general office has issued a final notice of tax delinquency, the account is transferred to the collection division. The division attempts to collect delinquent taxes by personal contact, correspondence, and telephone conversations. In fiscal year 1969, two field collectors were employed and, through their combined efforts, 4,342 personal contacts were made and $146,524 in delinquent tax revenue was collected. Contact by telephone and correspondence produced $94,708 in delinquent tax revenue from 5,671 contacts in fiscal year 1969. The division also issues warrants to county sheriffs commanding them to levy upon and sell the real and personal property of delinquent taxpayers (Section 84-4928, R.C.M. 1947). After the warrant has been filed in the proper district court, it is regarded as a judgment lien. Presently, two office collectors, one clerk, and one field collector are employed in the division.

Delinquent Tax Division--the division's primary responsibility is to determine the names and incomes of persons engaged in business or employed in Montana who did not file Montana income tax returns. The division relies on information obtained from Internal Revenue Service computers and other sources to discover these persons. In fiscal year 1969, the division discovered 3,500 persons who did not file state returns. After the division has located a person who has not filed a return, the division contacts the person and informs him that the Board has no record of his tax return. In a majority of cases, the person submits the required return and pays the tax after initial contact by the Board. If the person remains uncooperative after initial contact, the division will determine the tax due (from prior returns and other information) and assess the person accordingly. The division employs one auditor and four clerks.

Tax Lien Division--the division's main responsibility is issuance of tax liens on delinquent tax accounts. In addition to the aforementioned duty, the division is charged with administration of adjustments to Montana tax returns (the Internal Revenue Service furnishes the division with copies of adjustments to federal returns involving Montana taxpayers, and the division adjusts Montana returns accordingly); and the filing of federal partnership returns (Section 84-4911, R.C.M. 1947). The division employs one auditor and one clerk.

Microfilming and Tax Return Storage--tax returns are preserved in the Board's storage rooms for five years. The returns are then microfilmed and destroyed. Three clerks are involved in return storage and microfilming.

Motor Fuels Tax

General. The Board administers and collects the taxes imposed on fuel used in motor vehicles on Montana highways (Title 84, Chapter 18, R.C.M. 1947). Nineteen full-time staff members including a director, assistant director, and five field auditors are employed to administer and collect these taxes. The program is financed by appropriations from the Highway Earmarked Revenue Account (an account designated for the construction and improvement of state and federal aid highways). Program expenditures for fiscal year 1969 were $165,192.

The Board's motor fuel tax responsibilities can be separated into three distinct duties. Consequently, the Board has created the following departmental divisions: gasoline license tax; special fuel tax; and gasoline refund permits.

Gasoline License Tax. The gasoline license tax is a first level tax upon gasoline distributors, and a distributor must secure a permanent license from the Board prior to doing business in Montana (Section 84-1857, R.C.M. 1947). No fee is charged for issuance of the gasoline distributor's permanent license. After obtaining a permanent license, the distributor must submit a monthly statement to the Board indicating all gasoline received and distributed by him in this state during the preceding calendar month (Section 84-1849, R.C.M. 1947). Payment of seven cents (7¢) per gallon for all gasoline distributed must accompany the monthly statement (Section 84-1849, R.C.M. 1947).

The gasoline license tax division is administered by the department director, his assistant, two clerks and five field auditors. Monthly statements and payments are audited in Helena, and two field auditors stationed in Billings and the Helena field audit staff inspect local and foreign distributors personal records and accounts.

Approximately 50 distributors are licensed at the present time, and gross gasoline license tax receipts for the fiscal year ending June 30, 1969 were $23,056,105. Revenue collected is distributed in the following manner: six tenths of one per cent (.6%) of all moneys collected is deposited to the State Parks account in the Earmarked Revenue Fund; the remainder, less one cent (1¢) per gallon on all aviation gasoline, and all lawful refund claims (for gasoline on which the license tax has been paid and the gasoline has been used for purposes other than propelling vehicles upon public streets or highways) is deposited to the Highway Department account in the Earmarked Revenue Fund (Sections 32-2601, 84-1840, 1-501, and 84-1855, R.C.M. 1947).

Special Fuel Tax. The special fuel tax is a tax upon the use of diesel fuel or petroleum compounds in motor vehicles on Montana highways and streets. Special fuel users and dealers (except persons operating on a $20 temporary trip permit--valid for 72 hours) must secure permanent licenses from the Board and submit monthly returns indicating all special fuel used or delivered during the preceding calendar month (Section 84-1835, R.C.M. 1947). No fee is charged for issuance of these licenses, but a payment of nine cents (9¢) per gallon for diesel fuel and seven (7¢) per gallon for liquid petroleum gas must accompany the monthly statement (Section 84-1835, R.C.M. 1947).

Six permanent staff members are employed in the special fuel tax division with five persons performing tax reporting and licensing duties and one auditor investigating delinquent taxes. In addition, the two field auditors located in Billings, and the Helena field auditors investigate special fuel tax matters.

The division is responsible for collection and audit of 4,000 special fuel user accounts and 400 special fuel dealer accounts. Special fuel tax gross receipts for the fiscal year ending June 30,

1969 were $4,180,742, and the $20 temporary trip permits (normally collected by Highway Department Gross Vehicle Weight personnel and Highway Patrol men) added another $132,120. Revenues collected are distributed in the following manner: six tenths of one per cent (.6%) of all moneys collected is deposited in the State Parks account in the Earmarked Revenue Fund; the remander, less all lawful credits, is deposited to the Highway Department account in the Earmarked Revenue Fund. (Section 32-2601, 84-1836, and 84-1840, R.C.M. 1947).

Gasoline Refund Permits. The gasoline refund is a credit or reimbursement for gasoline on which the Montana gasoline license tax has been paid and the gasoline has been used for purposed other than propelling vehicles upon the public streets or highways (Section 84-1855, R.C.M. 1947). To obtain a refund, the taxpayer (other than a licensed distributor) must submit an application for refund to the Board and secure a refund permit. If the Board approves the application, the Board credits the account or issues a warrant drawn on the State Treasurer (Section 84-1855, R.C.M. 1947).

Three auditors and one license and permit clerk are employed in the gasoline refund division. Two field auditors in Billings and the Helena field auditors also inspect foreign and local applications and records.

At the present time, the division administers nearly 30,000 accounts. Refunds for the fiscal year ending June 30, 1969 totaled $2,268,583.

Miscellaneous Revenues. Miscellaneous revenues administered by the Motor Fuels Tax Department include:

--permits to issue aviation gasoline tax exemption certificates (Section 84-1848, R.C.M. 1949). The fee for this permit is $5.00 annually. In fiscal year 1969, 155 permits were issued and revenue from this source totaled $775.

--permit to sell, other than licensed distributor (Section 84-1855, R.C.M. 1947). The fee for this permit is $1.00 annually. In fiscal year 1969, 838 permits were issued and revenue totaled $838.

To obtain the permits mentioned in the preceding paragraph, a taxpayer must submit a formal application and pay the required fee to the Board (Sections 84-1848 and 84-1855, R.C.M. 1947).

No authority has been found in the Montana Codes directing the deposit of these miscellaneous revenues. As a matter of practice, they have historically been deposited in the general fund.

Relations With Other Agencies

I. Relations with Agencies of Other States

Montana Multistate Tax Compact Advisory Committee. The chairman of the Board represents Montana on the Multistate Tax Commission (Section 84-6702, R.C.M. 1947) and is a member of the Montana Multistate Tax Compact Advisory Committee (Section 84-6704, R.C.M. 1947). The administrator represents the state of the Multistate Tax Compact subcommittee on property taxation; and the director of the income tax division is a member of the subcommittee studying income taxation.

The Multistate Tax Compact is a multistate organization with the purposes of facilitating proper determination of state and local tax liability of multistate taxpayers, promoting uniformity or compatibility in significant components of tax systems, facilitating taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration and avoiding duplicative taxation. The compact is primarily concerned with income, property, and use taxes.

Montana Motor Vehicle Receprocity Board. One member of the State Board of Equalization is a member of the Montana Motor Vehicle Reciprocity Board (Section 53-703, R.C.M. 1947).

The Reciprocity Board may enter into agreements with other jurisdictions granting privileges and exemptions from fees or taxes imposed upon vehicles for operation of the vehicles upon state highways (Section 53-705, R.C.M. 1947). The Board of Equalization is represented on the Reciprocity Board to administer the proportional registration (personal property tax) of interstate vehicles or fleets.

Miscellaneous Relations With Other States. The personal income and corporation license tax division exchanges information with all states that have statutes allowing Montana's taxing agencies to obtain reciprocal information (Section 84-1518, R.C.M. 1947).

The property tax division exchanges information and assessment valuations with other states.

The inheritance tax division works closely with other states on collection of inheritance taxes from non-resident decedents (Section 91-4421, R.C.M. 1947).

II. Relations With Other Montana State Agencies and Departments.

Montana Highway Department. The Highway Department, by regulation of the Board, acts as the Board's agent for collection of gasoline and special fuel taxes from road construction contractors. The Highway Department withholds the tax monthly from contractor's progress payments and transfers it to the Board.

The Highway Department and Highway Patrol issue special fuel vehicle permits and transfer the funds collected to the Board (Section 84-1842, R.C.M. 1947).

The Gross Vehicle Weight Division of the Highway Department collects the importers' tax on gasoline which is purchased outside of Montana and used in the state (Board resolution and Section 84-6301, R.C.M. 1947). The division also collects personal property taxes on proportionally registered interstate motor vehicle fleets and deposits the amounts collected with the Board for distribution to the general fund for each county (Section 84-731, R.C.M. 1947).

The Highway Patrol aids the counties and the Board in locating transitory property (mobile homes, custom combines, and foreign licensed motor vehicles) for assessment and taxation purposes.

Bureau of Mines and Geology. The Bureau of Mines and Geology reports the reasonable value of reclamation work performed by strip coal mining licensees on lands on which strip coal mining has been conducted. One half of the amount reported is credited to the licensee and deducted from the license tax (Section 84-1303, R.C.M. 1947).

Livestock Commission. The Livestock Commission submits a proposed levy upon livestock for stock protection and inspection purposes to the Board. The Board annually prescribes the levy to be imposed and notifies the various counties to enforce the levy (Section 84-5210, R.C.M. 1947).

State Entomologist. The State Entomologist submits his records of bee colonies and their owners to the State Board. The Board transfers this information to county assessors for property assessment purposes.

Oil and Gas Conservation Commission. Quarterly, the Board transfers its oil and gas listings to the Conservation Commission for comparison

Fish and Game Commission. The Fish and Game Commission wardens enforce the laws requiring boat owners to apply to the Board for a certificate of number (Sections 69-3504 and 69-3517, R.C.M. 1947).

Department of Administration. The state, a county, a city, or any agency or department thereof, for whom a contractor is performing public work, must withhold one per cent (1%) of all payments due the contractor, and transmit such moneys to the Board for credit against the contractor's gross receipts tax (Section 84-3513, R.C.M. 1947). The Department of Administration informs the Board of all public contracts entered into by state agencies and departments.

Department of Health. The Department of Health certifies pollution control equipment to the Board of Equalization. This certification enables the taxpayer to classify the property at a lower tax rate.

III. Relations With Agencies of the Federal Government

Alcohol, Tobacco and Firearms Division of the Internal Revenue Service. The Internal Revenue Service has an informal arrangement with the Board requiring that the Montana store license tax (Section 84-2401, R.C.M. 1947) be paid before issuance of a federal firearms dealer permit.

The Board and the Internal Revenue Service exchange information on income and estate tax matters. In particular, the Internal Revenue Service transmits its records concerning Montana taxpayers and Montana federal audit adjustments to the Board.

United States Department of Commerce, Bureau of the Census. The Board submits a quarterly report to the Bureau indicating gross income, corporation license, and motor fuels tax collections; and an annual report indicating all revenue sources and collections in Montana.

SUMMARY

The present Board of Equalization was created by Article XII, Section 15 of the Montana Constitution as amended in 1922. This section provides that the Board be composed of three members appointed by the Governor with the advice and consent of the Senate, and the section expressly empowers the Board to do all things necessary to secure a fair, just, and equitable valuation of all taxable property among counties, between the different classes of property, and between individual taxpayers. To accomplish the goal, the section provides that the Board may adjust and equalize the value of taxable property, and supervise and review the acts of county assessors and county boards of equalization. The concluding sentence of the section provides that the Board "...shall also have such other powers, and perform such other duties relating to taxation as may be prescribed by law".

The Board is given additional responsibility in Article XII, Sections 16 and 9. These sections specifically provide that the Board shall assess the franchise, roadway, roadbed, rails, and rolling stock of all inter-county railroads; and may impose a special levy upon livestock for stock protection and inspection purposes.

The Legislature has enacted legislation investing the Board with many additional powers and duties, particularly in the administration and collection of numerous taxes. Presently, the Board's powers and duties are mentioned in almost every section of Title 84 of the Revised Codes of Montana 1947.

The legislative expansion of the Board's powers and duties has occassioned a corresponding growth in Board personnel and expenditures. Presently, the Board employs an administrator, an assistant administrator, and 110 full time staff members and the Board's appropriation for the current biennium is $2,415,641.

After studying the Board's operations, it becomes evident that the three Board members are involved in only a small portion of the Board's total activities. The Board members have substantiated this observation by estimating that only 10 per cent of their time is utilized in supervision of all Board activities and departments. The members have reported that their greatest efforts are directed to property tax matters. The Board members are personally involved in adjusting and equalizing the valuation of taxable property; supervising and reviewing acts of county assessors and county boards of equalization; and doing all other things necessary to secure a fair, just and equitable valuation of taxable property as prescribed by Article XII, Section 15 of the Montana Constitution. These duties consume 75 per cent of the Board members' time and include the specific functions of prescribing rules and regulations and the form of property tax rolls for all county taxing officials; providing for a general and uniform method of classifying lands; and appraising city and town lots, rural and urban improvements and timberlands. These duties are designed to achieve equal valuation and assessment of property throughout Montana and chiefly benefit local units of government as their main source of revenue is derived from the taxable valuations which are placed upon real and personal property.

The other 15 per cent of the Board members' time is utilized in hearing appeals from State Board decisions and actions of county boards of equalization. The Board members estimate that they hold nearly 100 hearings annually.

As the preceeding paragraphs of the summary and report have indicated, the Board members' actual efforts are confined to property tax matters and other Board duties and responsibilities are supervised and completed by the administrator and his assistants.

These duties primarily involve the collection and administration of the following taxes: personal income; corporation license; motor fuels; cement dealers; cement and gypsum producers; strip coal mines; coal retailers; electrical energy producers; express companies; natural gas distributors; oil producers;

telegraph companies; telephone companies; public contractor's; micacious mineral mines; carbon black producers; payments in lieu of taxes; sleeping car companies; freight line companies; metalliferous mines; identification number (boats); store licenses; public contractor's gross receipts; cigarette wholesalers and retailers; cigarette; tobacco; and inheritance and estate taxes. Gross collections from these taxes in fiscal year 1969 were $86,501,464.

Other major duties which are performed without the personal involvement or direction of the Board members are: transmittal of financial reports to the Governor and members of the Legislature; collection of information and prosecution of actions for tax collection; imposing special levies upon livestock and lands subject to destruction by hail; fixing a rate of taxation which will raise a sufficient amount to meet the levy of the Legislature; and the initial determination of net proceeds valuations for mines and wells.

TENTATIVE PROPOSAL

The staff has completed a comprehensive survey of the powers and duties of the primary Montana revenue agency, the State Board of Equalization, and a preliminary survey of other Montana revenue collecting agencies. Based upon this research, the staff submits herewith a number of preliminary recommendations concerning revenue collecting agencies for the Commission's consideration.

As the summary on the preceding pages indicates, the duties of the Board of Equalization are clearly separated: the Board members themselves are chiefly engaged in the supervision of property tax matters; and the administrator and his staff are responsible for the collection of the state's major sources of revenue. The staff believes that most programs of state government--including the collection of revenue--can be administered more efficiently by a single administrator than by a multi-member group. For these reasons, the staff tentatively recommends the creation of a Department of Revenue to be responsible for the collection of Montana's principal sources of revenue. The staff recommends that the Department of Revenue be responsible for numerous revenue functions now performed by the Board of Equalization and other state agencies. In keeping with the board policy established by the Commission at its meeting of October 6, 1969, it is suggested that this be accomplished by methods other than Constitutional change. More specifically, the staff recommends:

1) That the proposed Department of Revenue assume all duties of the Board of Equalization except: those directly related to the equalization and adjustment of the value of taxable property, supervision of county assessors and county boards of equalization as prescribed by Article XII, Section 15 of the Montana Constitution; the duties directly related to the assessment of inter-county property of railroads, utilities, airlines, and truck fleets as prescribed by Article XII, Section 16 of the Montana

Constitution and Sections 84-428, 84-707, 84-801, 84-901, 84-6401, and 84-727, R.C.M. 1947; and the duties directly related to imposing levies upon livestock for stock protection purposes as prescribed by Article XII, Section 9 of the Montana Constitution. Essentially, the proposed Department would administer the income and corporation license taxes, the motor fuels tax and all other miscellaneous taxes now collected by the Board of Equalization (the non-constitutional functions of the Board); but would not absorb the Board's property taxation powers or the Board's duties relating to assessment of inter-county properties and livestock levies. The latter are, with one exception, constitutional duties of the Board. The sole exception is the assessment of inter-county properties of utilities other than railroads. Since the Board is required by the Constitution to assess the inter-county property of railroads, it logically follows that they continue to assess the inter-county property of all utilities.

2) That the proposed Department of Revenue assume the duty of collecting and administering other taxes, revenues, and licenses which are presently administered by other state agencies and departments and which are primarily utilized for financing the general operations of state government. The staff is conducting research in this area and will submit recommendations to the Commission at its next meeting.

3) That the proposed Department of Revenue assume the duty of preparing revenue estimates, which duty has heretofore been performed by the Budget Director; and that the Department also assume the duty of studying the fiscal problems of local and state government and the state and local tax structures, which is currently the function of the Interim Committee on Fiscal Affairs. It is suggested that these functions be performed continuously, as the revenue and fiscal problems of the state are constantly changing.

4) That the proposed Department of Revenue be headed by a director, to be appointed by and serve at the pleasure of the Governor, and furthermore, that the appointee be subject to confirmation by the Senate.